

Instrument prepared by:

VIRGINIA GAS AND OIL BOARD

130001568

110001089

Order recorded under:

**CODE OF VIRGINIA
§ 45.1-361.26**

VIRGINIA:

BEFORE THE GAS AND OIL BOARD

APPLICANTS:

CNX Gas Company LLC on behalf of James M.
McGuire Trust and Linda Meledge Estridge, an heir
of W. B. McDonald.

DOCKET NO.

93-0216-0328-03

RELIEF SOUGHT:

Issuance: A Supplemental Order for Disbursement of Escrowed Funds
Action: Amending Prior Orders Affecting Drilling CBM Q-40,
Tract 3
(Referenced herein as "the Subject Drilling Unit")

Location: Buchanan County, Virginia

Action Details:

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit Q-40 by Tract Subaccounts;
- (2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
- (3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling

REPORT OF THE BOARD

FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on March 15, 2011 at the Russell County Government, Conference Center in Lebanon, VA.
2. **Appearances:** Mark A. Swartz, Esq. SWARTS Law Offices PLLC appeared for the Unit Operator; and Sharon M.B. Pigeon, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract sub accounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract sub accounts. The Board finds that: (1) while it **does not** have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it **does not** have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, **the Board does have jurisdiction and authority to disburse funds from the Escrow Account** provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein.

4. **Prior Proceedings:**

- 4.1. (a) On February 16, 1993, the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County on April 8, 1993 Deed Book 406 and Pages 492 to 511, Instrument Number 879. The Board executed its Supplemental Order Regarding Elections that was filed with the Clerk of the Circuit Court of Buchanan County on December 16, 1993, Deed Book 416, Pages 814 to 819 Instrument Number 3138.
- (b) On June 28, 2001 the Board executed its *Revised* Supplemental Order regarding elections that was filed with the Clerk of the Circuit Court of Buchanan County on July 12, 2001, Deed Book 527, Pages 1 to 9 Instrument Number 010001974.
- (c) On September 21, 2010, the Board heard a petition for re-pooling (VGOB 93-0216-0328-02) and approved a modification of Order, Re-Pooling interests in Drilling Unit Q-40. The Re-Pooling was requested to reflect the Unit Operator's updated interests as a result of remapping and to include production from additional degasification wells. The recordation of the re-pooling petition is pending.
- 4.2. To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, the coal estate ownership interests of James M. McGuire Trust; and the gas ownership interests of Linda Meledge Estridge, an heir of the W. B. McDonald Tract 3, in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3. The Unit Operator's Miscellaneous Petition regarding Unit Q40 and a portion of Tract 3, a copy of which is attached to and made a part hereof, states under oath that James M. McGuire Trust and the Applicants have entered into an agreement with regards to a portion of Tract 3 and that by the terms of the agreements, James M. McGuire Trust has entered into a split agreement regarding these tracts and escrow regarding these individual conflicting claims detailed herein, is no longer required for these parties.
- 4.4. The Unit Operator gave notice to James M. McGuire Trust and the applicants that the Board would consider its disbursement authorization at its hearing on March 15, 2011 and consider whether to: (1) amend the Pooling Order to provide for the disbursement a portion of funds on deposit in the Escrow Account attributable to a portion of Tract 3 identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tract 3 relative to the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because there are other parties under this order subject to continued payments in the escrow.
- 4.5. The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

5.1. **Va. Code 45.1-361.22.5 provides:**

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

5.2 Applicant has certified and represented to the Board that:

- (1) James M. McGuire Trust and Linda Meledge Estridge, an heir of W. B. McDonald, property in Tract 3; are the owners of the coal and gas acreage estate underlying a portion of VGOB Tract 3 of the Subject Drilling Unit Q-40;
- (2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

VGOB Approved Disbursement
VGOB-93-0216-0328-03
Q-40

			Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
Table 1							
Disbursement Table							
Item	Tract	A portion of Tracts 1B and 1C					
No							
		Totals				5.2100	
		James M. McGuire Land Trust - Coal	5.21				
1	3	James M. McGuire Land Trust / P.O. Box 1087 / Bluefield, VA 24605	0.5	2.6050	50.0%	1.303	25.0000%
	3	W. B. McDonald Heirs - Oil & Gas					
2	3	Linda Meledge Estridge / 969 Ridegdale road / Saltville, VA 24379	0.5	2.6050	50.0%	1.303	25.0000%

6. **Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 be deposited by the Unit Operator into the Escrow Account, and, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. **Conclusion:**


Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and **IT IS SO ORDERED.**

8. **Appeals:**

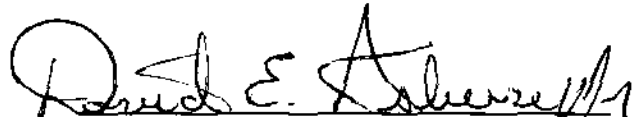
Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 28 day of April, 2011 by a majority of the Virginia Gas and Oil Board.

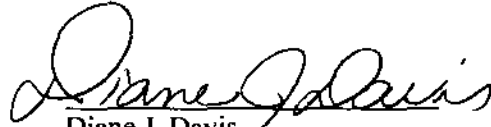

Bradley C. (Butch) Lambert, Chairman
Virginia Gas and Oil Board

DONE AND PERFORMED this 28 day of April, 2011 by an Order of this Board.


David E. Asbury Jr.,
Principal Executive to the Staff
Virginia Gas and Oil Board

**COMMONWEALTH OF VIRGINIA)
COUNTY OF RUSSELL**

Acknowledged on this 28th day of April, 2011, personally before me a notary public in and for the Commonwealth of Virginia, appeared **Bradley C. Lambert**, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and **David E. Asbury Jr.**, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane J. Davis
Notary Public #174394

My commission expires: 09 / 30 / 2013



CNX Gas Company LLC

UNIT Q 40

Tract Identification

1. Coal Mountain Mining Company L.L.P. Tr. 26 (1355 Acre Tract) - Fee
Reserve Coal Properties Company – Coal Below Drainage Leased
Knox Creek Coal Corporation – Coal Above Drainage Leased
CNX Gas Company LLC – Oil, Gas and CBM Leased
39.12 Acres 48.9000%
2. Ann C. Dobrenz – All Minerals
Island Creek Coal Company/Consol Energy Inc. - Below drainage coal Leased (except P3 seam)
Consolidation Coal Company - P3 seam Leased
CNX Gas Company LLC - Oil & Gas, CBM Leased
28.47 Acres 35.5875%
- 2A. Mildred Patrick - Surface
2B. Naomi Horn Heirs - Surface
2C. Mildred Patrick - Surface
2D. Consolidation Coal Company - Surface
2E. Unknown Surface Owner
2F. Reserved Coal Properties Company - Surface
3. James M. McGuire Trust - Coal
Reserve Coal Properties - Below Drainage Coal Leased
Jewell Ridge Coal Corp.- Jawbone and Tiller Seams Leased
Linda M. Estridge, et al – Surface, Oil and Gas
5.21 Acres 6.5125%
4. Reserve Coal Properties Company – Coal In Jawbone and Below (1/2) (76.40 Acre Tract)
Bessie Franks Heirs, et al – Coal, Oil and Gas (1/2)
Ronald A. Clyborne – Coal Above Jawbone (1/2)
Ronald A. Clyborne – Oil and Gas (1/2)
CNX Gas Company LLC – Oil, Gas and CBM Leased
Bessie Franks Heirs, et al – Surface (1/2)
Reserve Coal Properties Company – Surface (1/2)
3.47 Acres 4.3375%
5. Consolidation Coal Company - All Coal
CNX Gas Company LLC – Oil and Gas
Reserved Coal Properties Company – Surface
3.73 Acres 4.6625%

(This title block is for general informational purposes only and does not reflect an analysis of the severance deed and its effect upon coalbed methane ownership and should not be relied upon for such purpose.)

BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL

DOCKET NO: VGOB 93-0216-0328-03

RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 3
(2) AND AUTHORIZATION FOR DIRECT
PAYMENT OF ROYALTIES

HEARING DATE: March 15, 2011

DRILLING UNIT: Q40

BUCHANAN COUNTY, VIRGINIA

MISCELLANEOUS PETITION

1. **Petitioner and its counsel:** Petitioner is CNX Gas Company LLC, 2481 John Nash Boulevard, Bluefield, WV 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, **SWARTZ LAW OFFICES, PLLC.**, 601 Sixth Avenue, Suite 201, P.O. Box 1808, St. Albans, WV 25177-1808.

2. **Relief sought:** (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 3 as depicted upon the annexed Exhibit A-1; and (2) authorization to begin paying royalties directly to the parties to the royalty split between James M McGuire Land Trust and Linda Meledge Estridge

3. **Legal Authority:** Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

4. **Type of well(s):** Coalbed methane.

5. **Factual basis for relief requested:** James M McGuire Land Trust and Linda Meledge Estridge have entered into royalty split agreement(s). Said royalty split agreement allows the Applicant and Designated Operator to pay royalties directly to the persons identified in Exhibit EE annexed hereto and the annexed Exhibit A-1, further, specifies how said royalties are to be divided and paid.

6. **Attestation:** The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY ITS PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By: 

Anita D. Duty
Pooling Supervisor
CNX Land Resources, Inc.
2481 John Nash Blvd.
Bluefield, West Virginia 24701




Exhibit E
Unit Q-40
Docket #VGOB 93-0216-0328-03
List of Conflicting Owners/Claimants that require escrow

	Net Acres in Unit	Interest in Unit	Interest in	
			12-Right 16.50154%	13-Right 15.58061%

Tract #3 - 5.21 acres

COAL OWNERSHIP

(1) James M. McGuire Land Trust (460.57 Acre Tract) P.O. Box 1067 Bluefield, VA 24605	5.21 acres	6.5125%	1.07466%	1.01469%
--	------------	---------	----------	----------

OIL & GAS OWNERSHIP

(1) W. B. McDonald, et ux. Heirs, Devisees, Successors or Assigns	5.21 acres	6.5125%	1.07466%	1.01469%
(b) B. W. McDonald Testamentary Trus P. O. Box 999 Prestonsburg, KY 41653	2.605 acres 1/2 of 5.21 acres	3.2563%	0.53733%	0.50734%

8

Exhibit EE
Unit Q-40
Docket #VGOB 93-0216-0328-03
List of Owners/Claimants with Royalty Split Agreements

	Net Acres in Unit	Interest in Unit	Interest in 12-Right 16.50154%	13-Right 15.58061%	Percent of Escrow
<u>Tract #3 - 5.21 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) James M. McGuire Land Trust (460.57 Acre Tract) P.O. Box 1067 Bluefield, VA 24605	5.21 acres	6.5125%	1.07466%	1.01469%	25.0000%
<u>OIL & GAS OWNERSHIP</u>					
(1) W. B. McDonald, et ux. Heirs, Devisees, Successors or Assigns	5.21 acres	6.5125%	1.07466%	1.01469%	
(a) Linda Meledge Estridge 969 Ridgedale Road Saltville, VA 24370	2.605 acres 1/2 of 5.21 acres	3.2563%	0.53733%	0.50734%	25.0000%
<u>Tract #4 - 3.47 acres</u>					
<u>COAL OWNERSHIP</u>					
Bessie Franks Heirs, et al.	3.47 acres	4.3375%	0.71575%	0.67581%	
(2) Reserve Coal Properties (1/2 Coal Below Jawbone Seam) (76.40 Acre Tract) 10545 Riverside Drive Oakwood, VA 24631	1.735 acres 1/2 of 3.47 acres	2.1688%	0.35788%	0.33790%	n/a
<u>OIL & GAS OWNERSHIP</u>					
Bessie Franks Heirs, et al.	3.47 acres	4.3375%	0.71575%	0.67581%	
(2) Ronald A. Clyborne (1/2 All Minerals Except Coal) 9325 Olympic View Dr. Edmonds, WA 98020-2397	1.735 acres 1/2 of 3.47 acres	2.1688%	0.35788%	0.33790%	n/a

9

Exhibit A-1
Tract-by-Tract Escrow Calculation
Account Balances as of 12/31/10

Unit Q-40
VGOB 93-0216-0328-03
Acres Escrowed: 5.210000

Owners	Tract #	Tract Acres	Owner Acres	Interest	Owners' Percent of Escrow	Amount Due Owners
James M. McGuire Land Trust - Coal	3	5.21000			25.0000%	\$13,792.37
W.B. McDonald Heirs- O&G		5.21				
Linda Meledge Estridge			2.605	1/2	25.0000%	\$13,792.37

Wells contributing to the escrow account: Well 407 and production allocated from 12 & 13 right panel

INSTRUMENT #110001089
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY ON
MAY 3, 2011 AT 01:33PM

BEVERLY S. TILLER, CLERK
RECORDED BY: GGB

INSTRUMENT #130001568
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY ON
AUGUST 19, 2013 AT 02:25PM

BEVERLY S. TILLER, CLERK
RECORDED BY: GGB

10